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CANADIAN MAGNESITE MINES LIMITED

Third Annual Report

For the Year Ended November 30, 1965

CANADIAN MAGNESITE MINES LIMITED

SUITE 911, 159 BAY STREET

TORONTO 1, ONTARIO

OFFICERS

A. T. GRIFFIS	-	-	-	-	-	-	-	-	-	-	President
A. D. COSSAR	-	-	-	-	-	-	-	-	-	-	Vice-President
R. A. EAGLESON	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

DIRECTORS

A. T. GRIFFIS

A. D. COSSAR

J. F. McOUAT

R. A. EAGLESON

C. MILLER

CONSULTING ENGINEERS

WATTS, GRIFFIS AND McOUAT

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA

366 Bay Street, Toronto 1, Ontario

AUDITORS

MCLEOD, DICKSON AND COMPANY

Chartered Accountants

75 Eglinton Avenue East

Toronto, Ontario



PRESIDENT'S REPORT

TO THE SHAREHOLDERS:

In 1965 the work carried out by the company had two principal objectives: the preparation of samples for consumer testing and discussions of financing with groups interested in our project.

Results of the testing indicate clearly that our product has a place in basic refractory use. Mr. Karl D. Scheffer, our ceramics consultant, states in a report to the company that superior direct-bonded brick can be made from our magnesite and that other basic refractories made with our magnesite are equal or superior to refractories made from certain sea-water magnesites.

We have persistently followed up any leads where interest has been expressed in our project, on the part of consumers and by possible financial participants. However, we

are unable to report any real progress in obtaining the financing necessary for development of the property.

Careful studies indicate profitable operation at 30,000 tons a year. A new plant built on site with this production capacity would, we estimate, cost \$3,500,000. It may, however, be possible to utilize a nearby gold mill and get the project going at a very much lower cost. Furthermore, a considerable portion of the funds for development could be raised from within our group. We intend to follow this route if at all possible.

We have a sound project and are convinced that we will ultimately succeed in bringing it into profitable production.

On behalf of the Board,

A. T. Griffis
A. T. GRIFFIS, President

CANADIAN MAGNESITE MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

NOVEMBER 30, 1965

Assets

CASH	\$ 4,292
INVESTMENTS — at cost	815
MINING PROPERTIES — at cost	
60 patented mining claims and 10 unpatented mining claims purchased, all in the District of Temiskaming, Province of Ontario	180,500
DEFERRED EXPENDITURE	490,254
OTHER ASSETS	
Expense advances	\$ 500
Organization expense	2,772
	<u>3,272</u>
	<u>\$ 679,133</u>

Liabilities

ACCOUNTS PAYABLE AND ACCRUED CHARGES	\$ 10,378
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Capital

SHARE CAPITAL — Note 1	
Authorized — 5,000,000 shares of \$1.00 each	<u>\$ 5,000,000</u>
Issued and fully paid —	
942,500 shares for mining properties	\$ 942,500
less: Discount	770,000
	<u>\$ 172,500</u>
1,175,005 shares for cash	\$ 1,175,005
less: Discount	678,750
	<u>\$ 496,255</u>
2,117,505 shares	668,755
	<u>\$ 679,133</u>

Approved on behalf of the Board:

A. D. COSSAR, *Director.*

J. F. McOUAT, *Director*

NOTE: (1) The following options to purchase capital stock of the company (granted to directors of the company) were outstanding at November 30, 1965, 57,500 shares at \$1.00 per share up to and including July 13, 1967.

CANADIAN MAGNESITE MINES LIMITED

STATEMENT OF DEFERRED EXPENDITURE

From Incorporation to November 30, 1965

Exploration and Development

	Incorporation to November 30, 1964	Year Ended November 30, 1965	Total
Engineering	\$ 8,952	\$ (145)	\$ 8,807
Consulting	23,800	7,500	31,300
Maps	788	2,530	3,318
Line cutting	318	—	318
Trenching	600	—	600
Diamond drilling	11,931	—	11,931
Samples and assays	3,513	—	3,513
Equipment rental	244	—	244
Field travel	3,597	—	3,597
Road survey	737	—	737
Mining licenses	200	100	300
Acreage taxes	271	272	543
Research and development	56,981	11,624	68,605
Market survey	12,925	—	12,925
Mining	22,314	—	22,314
Road maintenance	3,203	—	3,203
Pilot plant engineering	5,266	—	5,266
Pilot plant operation	158,565	53,611	212,176
Freight on ore to pilot plant	10,840	—	10,840
Salaries	5,350	12,755	18,105
Insurance	413	716	1,129
	<u>\$ 330,808</u>	<u>\$ 88,963</u>	<u>\$ 419,771</u>

Administration

Bank charges and exchange	\$ 478	\$ 35	\$ 513
Interest expense	9,506	5,348	14,854
Legal and audit	13,478	1,853	15,331
Management	20,000	7,500	27,500
Miscellaneous	1,606	1,568	3,174
Office supplies	225	60	285
Printing	3,661	1,023	4,684
Registrar and transfer agent	1,495	625	2,120
Stock exchange fees	2,000	100	2,100
Telephone and telegraph	1,147	499	1,646
Travel and promotion	13,518	6,457	19,975
	<u>\$ 67,114</u>	<u>\$ 25,068</u>	<u>\$ 92,182</u>
Less: Interest earned	16,360	5,339	21,699
	<u>\$ 50,754</u>	<u>\$ 19,729</u>	<u>\$ 70,483</u>
Total deferred expenditure	<u>\$ 381,562</u>	<u>\$ 108,692</u>	<u>\$ 490,254</u>

AUDITORS' REPORT

To the Shareholders,
CANADIAN MAGNESITE MINES LIMITED.

We have examined the balance sheet of Canadian Magnesite Mines Limited as at November 30, 1965 and the statement of deferred expenditure from incorporation to that date and have received all the information and explanations that we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of deferred expenditure present fairly the financial position of the company as at November 30, 1965 and the results of its operations from incorporation to that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario.
June 2, 1966.

McLEOD, DICKSON & Co.
Chartered Accountants.

MANAGER'S REPORT

During the twelve-month period from June, 1965 to June, 1966 there have been several tests done on our dead-burned magnesia.

A one-ton sample of calcined magnesia was briquetted and sent to Canadian Refractories Limited for high temperature firing in their rotary kiln. This was the first time it had been possible to dead-burn our briquettes under continuous operating conditions in a production-size rotary kiln. The results of this test indicated that a suitable dead-burned clinker could be produced by rotary kiln firing. Further detailed testing is indicated to determine the required retention time in the kiln, and the effects of various rates of cooling on the physical qualities of the dead-burned product.

The magnesite concentrate stockpile at North Bay was given additional protection

last fall, and remains available for customer samples, as required. Approximately 25 tons of finely ground calcine is stockpiled at Canada Talc at Madoc. As additional requests have come in for test samples it has been necessary to briquette this calcine, and have it dead-burned at Canadian Refractories. The laboratory size briquette machine at Dominion Magnesium has been used for briquetting. The resultant product has been consistently of good quality.

A constant contact has been maintained on the price and availability of both equipment and labour for the proposed plant at Timmins. In this way it has been possible to keep our plant cost estimate updated and in line with present day conditions.

Respectfully submitted,

JAMES A. BATES.

CANADIAN MAGNESITE MINES LIMITED

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